



FIDELITY LIFE
ASSURANCE OF ZIMBABWE

Unaudited Financial Results

For the half year ended 30 June 2018

FIDELITY LIFE ASSURANCE OF ZIMBABWE LIMITED AND ITS SUBSIDIARIES

Operating landscape

The first half of the year was characterized by anticipation of the running and the outcome of the harmonised elections. Post elections, the economic environment is cautiously optimistic as the market awaits fiscal policies and other reforms that the new government will adopt, which measures will have a strong bearing on the direction and trajectory that the economy will take. The Zimbabwe Stock Exchange ASI grew an average 2.1%, following a market correction in the first quarter that resulted in negative returns. The negative returns were mostly countered by positive gains on blue chip counters which continued to excite investors with their strong performance in the year to date. There has been no meaningful improvement in foreign currency supply in the official system evidenced by tightening of foreign currency allocations by banks during the half year. Money market interest rates have also remained depressed, particularly for short to medium term deposits. Tiered pricing has also taken root in the property market which has resulted in distortions in the fair valuation of properties. The Group remains optimistic on improved economic prospects.

Financial performance

Total revenue amounted to US\$25.8m, compared to US\$13.1m for the same period last year. The increase is largely attributable to recognition of residential stands revenue upon receipt of compliance certificates from the local authority, and strong growth in premium revenue. Stand sales for the first half of 2018 stood at US\$12m, compared to nil sales in 2017 first half, as stand sales for last year only occurred in the second half of the year. Gross written premiums increased by 43% compared to prior year, driven by renewal and clear focus of the sales and distribution function, particularly in the employee benefits segment. At 83% of total revenue, the two lines continue to be the dominant revenue generators for the Group. Interest income from residential stands sales and micro-lending receivables grew by 23% and 18% respectively. These positive trends in revenue were however countered by poor performance on investments as fair value losses of US\$1.2m were recorded on the equity portfolio held by the Group, compared to gains of US\$1.65m recorded during the same period in 2017. Overall however, the Group's performance was strong, with a 97% increase in revenue recognized in the half year to 30 June 2018, compared to the half year to 30 June 2017.

Gross claims reduced by 11% from US\$2.8m to US\$2.5m. Operating expenses increased by 56% largely due to the Group's restructuring activities designed to achieve optimal operational efficiencies. Expenses for the current half year also include cost of residential stands sold. Finance costs expended by the Group increased by 64% during the half year compared to the same period last year. Previously, some of the borrowing costs were capitalized against qualifying assets under development.

The Group closed the half year with a profit before tax of US\$3.7m, 54% ahead of US\$2.4m reported for the period to 30 June 2017. The performance shows the early fruits of the Group's efforts to rebuild its position in the market.

The Group's balance sheet grew by 6%. This was due to increase in debtors arising from recognition of sales of residential stands, and organic growth of the micro-finance loan book. Insurance receipts also contributed to growth in cash and cash equivalents. Growth was countered by a decline in the value of the equities book which reduced by 12%. The Group closed with total assets of US\$127m at 30 June 2018, up from US\$120m at 31 December 2017.

Fidelity Life Assurance (FLA)

The flagship company is on a growth trajectory, with significant strides being made in the employee benefits space. Premium income increased 43% to US\$6.7m, up from US\$4.7m in the six months to 30

June 2017. Profits from sale of residential stands also contributed to the increased profits recorded by FLA. Contribution to profit from property transactions also included interest income on the related receivables, which grew 23% to US\$2.8m, compared to US\$2.3m in the comparative period. The Company closed with profit of US\$2.5m, 79% up compared to US\$1.4m in the comparative period.

Vanguard Life Assurance (VLA)

Vanguard Life Assurance, our Malawi subsidiary, had an impressive premium income growth of 40% to close the period at US\$2.3m, against US\$1.7m recorded in the comparative period. However, VLA continues to contribute marginally to group profit due to regulatory measures that tend to increase insurance contract liabilities significantly. VLA will be undertaking a rights issue in the second half of the year which will see some correction to this position, in addition to enabling VLA to achieve regulatory capital requirements that will apply with effect from 31 December 2018.

Non-insurance subsidiaries

The micro-finance subsidiary continues to excel, predominantly due to organic growth of its loan book. The unit posted a profit before tax of US\$1.3m, representing a 52% increase to that posted in the comparative half year. This emanated from strong growth in revenues coupled with responsible cost containment. The unit continues to hold fort for the non-insurance subsidiaries within the group. The actuarial consulting, asset management and funeral services units remain strategic to the Group.

Dividend

The Group's growth strategy still requires preservation of internal resources. As such, no dividend has been declared in the interim period.

Outlook

Economic reforms and international re-engagement remain at the core of the outturn of the Zimbabwean economy in the medium to long term. The new government has to be intentional and forward looking in implementing measures that will stabilize the challenging and unsettled economic environment that industry is currently operating under. Despite these challenges, the Group continues to focus on exploiting opportunities for growth and remains focused on achieving its strategic objectives.

Corporate governance

The Group welcomes Mr Henry Nemaire to the Board of Directors. He was appointed to the Board as a non-executive director. The Group continues to strengthen its internal control environment, under the direction of the Board and executive management.

Appreciation

I would like to thank the shareholders and policyholders for their patience as the board and management reshapes the Group, and to express gratitude to my fellow board members, management and staff for their dedication to the vision to build value for the Group's stakeholders.

F. Ruwende
Chairman

27 September 2018

CONDENSED CONSOLIDATED INTERIM STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the half year ended 30 June 2018

	Unaudited 30-Jun-18 US\$	Unaudited 30-Jun-17 US\$
Gross premiums	9 058 011	6 355 679
Premiums ceded to reinsurers	(262 888)	(289 823)
Net premiums	8 795 123	6 065 856
Fees and commission income	618 338	570 477
Investment income	274 922	344 876
Interest income from residential stands receivables	2 826 361	2 295 849
Interest income from microlending	1 513 732	1 286 746
Fair value gains and losses from equities and investment property	(1 224 890)	1 650 260
Other operating income	948 769	884 423
Income from sale of residential stands	12 010 864	-
Total revenue	25 763 219	13 098 487
Gross benefits and claims paid	(2 453 240)	(2 771 881)
Claims ceded to reinsurers	18 655	576 079
Net benefits and claims	(2 434 585)	(2 195 802)
Gross change in insurance and investment contract liabilities	(5 078 163)	(3 225 490)
Fee and commission expenses, and other acquisition costs	(449 678)	(420 918)
Operating and administration expenses	(6 380 988)	(4 091 498)
Cost of sales of residential stands	(6 483 685)	-
Finance costs	(1 237 669)	(756 874)
Total benefits, claims and other expenses	(22 064 768)	(10 690 582)
Profit before tax	3 698 451	2 407 905
Income tax expense	(1 435 983)	(428 063)
Profit for the year	2 262 468	1 979 842
Other comprehensive income:		
Items that will or may be reclassified to profit or loss:		
Exchange differences arising on translation of foreign operations	(505)	(556 953)
Other comprehensive income for the year, net of tax	(505)	(556 953)
Total comprehensive income for the year	2 261 963	1 422 889
Profit for the year attributable to:		
Owners of the parent	2 268 209	1 965 495
Non-controlling interests	(5741)	14 347
Total profit for the year	2 262 468	1 979 842
Total comprehensive income attributable to:		
Owners of the parent	2 267 921	1 648 032
Non-controlling interests	(5958)	(225 143)
Total comprehensive income for the year	2 261 963	1 422 889
Earnings per share attributable to the ordinary equity holders of the parent		
Basic earnings per share (cents)	2.10	1.82
Diluted earnings per share (cents)	2.10	1.82

The above condensed consolidated interim statement of profit or loss and other comprehensive income should be read in conjunction with the accompanying notes.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2018

Notes	Unaudited 30 June 2018 US\$	Audited 31 Dec 2017 US\$
ASSETS		
Property and equipment	6 335 957	6 557 084
Investment property	19 120 942	19 117 149
Intangible assets	293 600	265 412
Inventories	31 389 864	35 628 497
Trade and other receivables	47 263 003	36 522 202
Corporate tax asset	-	30 511
Deferred tax assets	-	966
Deferred acquisition costs	166 363	177 089
Equities at fair value through profit or loss	11 191 739	12 738 977
Investments in bonds at amortised cost	830 100	830 100
Cash and short term deposits	10 113 995	7 801 682
Total assets	126 705 563	119 669 669
EQUITY AND LIABILITIES		
Equity attributable to equity holders of the parent		
Issued share capital	1 089 233	1 089 233
Share premium	671 409	671 409
Treasury shares	(10 037)	(10 037)
Retained earnings	5 442 890	3 647 721
Revaluation reserve	1 039 240	1 039 240
Foreign currency translation reserve	(1 209 905)	(1 209 617)
Total ordinary shareholder's equity	7 022 830	5 227 949
Non-controlling interests	4 770 865	4 738 189
Total equity	11 793 695	9 966 138
Liabilities		
Insurance contract liabilities, and investment contract liabilities with discretionary participation features	65 024 903	59 950 625
Investment contracts without discretionary participation features	4 924 118	5 076 181
Non current borrowings	18 786 013	13 320 000
Deferred tax liabilities	369 071	532 120
Current borrowings	5 742 039	10 927 160
Non current finance lease obligations	66 728	-
Current finance lease obligations	27 369	-
Trade and other payables	18 689 962	19 398 096
Corporate tax liability	1 281 665	499 349
Total liabilities	114 911 868	109 703 531
Total equity and liabilities	126 705 563	119 669 669

The above condensed consolidated interim statement of financial position should be read in conjunction with the accompanying notes.

SEE YOUR FUTURE TODAY

We believe in you and the future you see in your mind's eye. That is why we have designed our unique products and services to make sure you realise your dreams and achieve your goals.

Take the first step towards your future today and let us get you there.

SEE YOUR FUTURE TODAY



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ASSURANCE OF ZIMBABWE

Unaudited Financial Results

For the half year ended 30 June 2018



FIDELITY LIFE ASSURANCE OF ZIMBABWE LIMITED AND ITS SUBSIDIARIES

CONDENSED CONSOLIDATED INTERIM STATEMENT OF CHANGES IN EQUITY

For the half year ended 30 June 2018

Notes	Share capital US\$	Treasury shares US\$	Share premium US\$	Retained earnings US\$	Revaluation reserve US\$	Foreign currency translation reserve US\$	Attributable to shareholders of parent US\$	Non-controlling interest US\$	Total equity US\$
Half year ended 30 June 2017 - unaudited									
Balance at 31 December 2016 - as restated in the financial statements for the year ended 31 December 2017	1 089 233	(10 037)	671 409	4 655 617	1 033 198	(1 201 649)	6 237 771	5 022 588	11 260 359
Profit for the year	-	-	-	1 965 495	-	-	1 965 495	14 347	1 979 842
Other comprehensive income for the year	-	-	-	-	-	(317 463)	(317 463)	(239 490)	(556 953)
Total comprehensive income for the year	-	-	-	1 965 495	-	(317 463)	1 648 032	(225 143)	1 422 889
Dividend paid	-	-	-	-	-	-	-	-	-
Balance at 30 June 2017 - restated	1 089 233	(10 037)	671 409	6 621 112	1 033 198	(1 519 112)	7 885 803	4 797 445	12 683 248
Half year ended 30 June 2018 - unaudited									
Balance at 31 December 2017	1 089 233	(10 037)	671 409	3 647 721	1 039 240	(1 209 617)	5 227 949	4 738 189	9 966 138
Impact of adoption of IFRS 9, net of tax*	-	-	-	(473 040)	-	-	(473 040)	-	(473 040)
Balance at 1 January 2018	1 089 233	(10 037)	671 409	3 174 681	1 039 240	(1 209 617)	4 754 909	4 738 189	9 493 098
Profit for the year	-	-	-	2 268 209	-	-	2 268 209	(5 741)	2 262 468
Other comprehensive income for the year	-	-	-	-	-	(288)	(288)	(217)	(505)
Total comprehensive income for the year	-	-	-	2 268 209	-	(288)	2 267 921	(5 958)	2 261 963
NCI in change in degree of ownership of subsidiary	-	-	-	-	-	-	-	38 634	38 634
Balance at 30 June 2018	1 089 233	(10 037)	671 409	5 442 890	1 039 240	(1 209 905)	7 022 830	4 770 865	11 793 695

The above condensed consolidated interim statement of changes in equity should be read in conjunction with the accompanying notes.

* Further information on the restatement as a result of adoption of IFRS 9 is included in Note 5 to the condensed consolidated interim financial statements.

CONDENSED CONSOLIDATED INTERIM STATEMENT OF CASH FLOWS

For the half year ended 30 June 2018

CASH FLOWS FROM OPERATING ACTIVITIES

	Unaudited 30-Jun-18 US\$	Unaudited 30-Jun-17 US\$
Profit before tax	3 698 451	2 407 905
Adjustments:	7 747 252	2 915 461
Fair value adjustment on financial assets at fair value	1 224 890	(1 654 060)
Fair value adjustment on investment property	-	3 800
Amortisation of intangible assets	26 090	44 168
Amortisation of deferred acquisition costs	14 750	28 650
Increase in deferred acquisition costs	(7 765)	(13 572)
Finance costs	1 237 669	756 874
Depreciation of property and equipment	348 205	529 126
Increase in insurance and investment contract liabilities	5 078 163	3 225 490
Impairment of goodwill	148 672	-
Investment income	(274 922)	(5 015)
Profit on sale of property and equipment	(48 500)	-
Changes in working capital	(7 847 553)	588 718
Decrease/(Increase) in inventories	4 238 633	(1 073 795)
Increase in trade and other receivables	(11 378 052)	(225 984)
Decrease/(Increase) in trade and other payables	(708 134)	1 888 497
Cash generated from operations	3 598 150	5 912 084
Income taxes paid	(617 927)	(801 047)
NET CASH GENERATED FROM OPERATING ACTIVITIES	2 980 223	5 111 037

	Unaudited 30-Jun-18 US\$	Unaudited 30-Jun-17 US\$
CASH FLOWS FROM INVESTING ACTIVITIES		
Additions and replacement to property and equipment	(184 619)	(210 530)
Additions and improvements to investment property	(5 197)	356 901
Additions to intangible assets	(54 302)	-
Increase in investments in subsidiaries	(110 039)	-
Investment income	274 922	-
Disposals of financial assets at fair value through profit or loss	319 628	93 276
Proceeds from sale of investment property	-	525 849
Proceeds from sale of property and equipment	200 000	-
NET CASH GENERATED FROM INVESTING ACTIVITIES	440 393	765 496

	Unaudited 30-Jun-18 US\$	Unaudited 30-Jun-17 US\$
CASH FLOWS FROM FINANCING ACTIVITIES		
Finance costs	(1 237 669)	(756 874)
Repayments of finance lease	-	(9 193)
Proceeds from borrowings	11 593 721	-
Repayments of borrowings	(11 312 829)	(3 235 188)
NET CASH UTILISED IN FINANCING ACTIVITIES	(956 777)	(4 001 255)

NET INCREASE IN CASH AND CASH EQUIVALENTS

CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE HALF YEAR

Cash outflow on investment contracts without DPF	(152 806)	-
Exchange differences on translation of a foreign operation	1 280	(680 437)

CASH AND CASH EQUIVALENTS AT THE END OF THE HALF YEAR

Notes to the condensed consolidated interim financial statements

For the half year ended 30 June 2018

1. DIRECTORS' RESPONSIBILITY STATEMENT

The directors are required by the Companies Act (Chapter 24:03) to maintain adequate accounting records and are responsible for the content and integrity of the condensed consolidated interim financial statements and related financial information included in this report. It is their responsibility to ensure that the condensed consolidated interim financial statements fairly present the state of affairs of the Group as at the end of the six month period and the results of its operations and cash flows for the period then ended, in conformity with International Accounting Standard 34 ("IAS 34"), Interim Financial Reporting.

2. ACCOUNTING POLICIES

Basis of preparation

These condensed consolidated interim financial statements for the half-year reporting period ended 30 June 2018 have been prepared in accordance with International Accounting Standard IAS 34 Interim Financial Reporting.

These condensed consolidated interim financial statements do not include all the notes of the type normally included in an annual

Notes to the condensed consolidated interim financial statements (Cont'd)

For the half year ended 30 June 2018

financial report. Accordingly, this report should be read in conjunction with the annual report of Fidelity Life Assurance of Zimbabwe Limited for the year ended 31 December 2017 and any public announcements made by Company during the interim period.

The condensed consolidated financial statements are based on statutory records maintained under the historical cost convention as modified by the revaluation of property and equipment, financial assets at fair value through profit or loss and investment property.

The accounting policies applied in preparing these condensed consolidated interim financial statements are consistent with those of the previous financial year and corresponding interim reporting period, except for the adoption of new and amended standards as set out below.

(a) New and amended standards adopted by the Group

The following new International Financial Reporting Standards (IFRSs) became applicable with effect from 1 January 2018 and

were relevant to the Group:

- IFRS 9, Financial instruments
- IFRS 15, Revenue from contracts with customers

The Group had to change its accounting policies and make retrospective adjustments as a result of adopting these standards. The impact of the adoption of these standards and the new accounting policies are disclosed in Note 5 below. Other new and amended standards that are effective from 1 January 2018 do not have any material impact on the Group's accounting policies.

Statement of compliance

The condensed consolidated financial statements for the half year ended 30 June 2018 have been prepared in accordance with the Zimbabwe Stock Exchange Listing Rules, based on information extracted from annual financial statements prepared in accordance with International Financial Reporting Standards, and in the manner required by the Companies Act (Chapter 24:03) and the Insurance Act (Chapter 24:07).

3. SIGNIFICANT TRANSACTIONS

3.1 Additions to property and equipment

3.2 Net Proceeds from/(Repayment of) borrowings

3.3 Increase in trade and other receivables

3.4 (Decrease)/Increase in trade and other payables

3.5 Decrease/(Increase) in inventories

3.6 Capitalised finance costs

3.7 Capital expenditure commitments
Authorised and contracted for
Authorised but not contracted for

3.8 Gross premiums written during the period

3.9 Fair value (losses)/gains from equities and investment property

3.10 Income from sale of residential stands

3.11 Other income

4. EARNINGS PER SHARE

Basic earnings per share

Numerator

Profit for the year and earnings used in basic EPS and diluted EPS

Denominator

Weighted number of ordinary shares in issue

Less: Shares purchased for the Employee Share Ownership Plan

Add shares allocated to employees under the Share Ownership Plan

Weighted average number of shares used in basic EPS

Less: Dilutive adjusting effects

Weighted average number of shares used in diluted EPS

Basic earnings per share (cents)

Diluted earnings per share (cents)

	Unaudited 30-Jun-2018 US\$	Unaudited 30-Jun-2017 US\$
278 717	278 717	210 530
280 892	280 892	(3 235 188)
11 378 052	11 378 052	225 984
(708 134)	(708 134)	1 888 497
4 238 633	4 238 633	(1 073 795)
-	-	887 970
1 759 545	1 759 545	1 426 408
-	-	210 530
1 759 545	1 759 545	1 215 878
9 058 011	9 058 011	6 355 679
(1 224 890)	(1 224 890)	1 650 260
12 010 864	12 010 864	-
948 769	948 769	884 423
2 268 209	2 268 209	1 965 495
108 923 291	108 923 291	108 923 291
(4 775 618)	(4 775 618)	(4 775 618)
3 771 875	3 771 875	3 771 875
107 919 548	107 919 548	107 919 548
-	-	-
107 919 548	107 919 548	107 919 548
2.10	2.10	1.82
2.10	2.10	1.82



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FIDELITY LIFE ASSURANCE OF ZIMBABWE LIMITED AND ITS SUBSIDIARIES

Notes to the condensed consolidated interim financial statements (Cont'd)

For the half year ended 30 June 2018

5. CHANGES IN ACCOUNTING POLICIES

5.1 Impact of adoption of IFRS 9, Financial Instruments

Following the Group's adoption of IFRS 9, Financial Instruments with effect from 1 January 2018, the Group changed its accounting policies relating to the classification, measurement and impairment of financial assets. In accordance with the transitional provisions in IFRS 9, the Group adopted IFRS 9 without restating comparatives. As such, the difference between the carrying amounts of financial assets as at 31 December 2017, determined under IAS 39, and the carrying amounts determined under IFRS 9 as at 1 January 2018, was adjusted against opening retained earnings at 1 January 2018. Further disclosures on the reclassifications and adjustments are given in notes 5.1.1 and 5.1.2 below.

5.1.1 Impact on classification and measurement of financial assets - as at 1 January 2018

	Previous classification under IAS 39	New classification under IFRS 9	Previous carrying amount under IAS 39	New carrying amount under IFRS 9
Financial assets			US\$	US\$
Trade and other receivables	Loans and receivables (amortised cost)	Amortised cost	36 522 202	36 049 162
Equities at fair value through profit or loss	Fair value through profit or loss	Fair value through profit or loss	12 738 977	12 738 977
Investments in bonds at amortised cost	Held to maturity (amortised cost)	Amortised cost	830 100	830 100
Cash and short term deposits	Loans and receivables (amortised cost)	Amortised cost	7 801 682	7 801 682

Application of the IFRS 9 classifications to the financial assets held by the Group as at 1 January 2018 did not give rise to any changes in measurement bases. Changes in carrying amount were due changes in impairment methodology as indicated in note 5.1.2 and 5.1.3 below.

5.1.2 Impact on impairment of financial assets

With the adoption of IFRS 9, the Group had to revise its impairment methodology for each class of assets held at amortised cost that bear similar credit risk characteristics. The IFRS 9 methodology applies forward looking expected credit loss models to determine the impairment allowance on the financial assets held at amortised cost; a change from the incurred loss model under IAS 39. The applicable impairment methodology for each major and material class of financial assets is indicated below. The quantitative impact of the change in impairment methodology on the Group's retained earnings and equity is disclosed in the table in note 5.1.3 below.

(i) Trade receivables: residential stand sales and insurance debtors

For residential stand sales and insurance receivables, the Group applies the simplified approach permitted by IFRS 9. Under this approach, expected lifetime credit losses are recognised from initial recognition of the receivables, applying a provisioning matrix. The residential stand debtors are secured by the respective residential stands sold. There was no material change in the impairment allowances on these debtors on transition from IAS 39 to IFRS 9 at 1 January 2018.

5.1.3. Quantitative impact of adoption of IFRS 9

Adjustments effected against the carrying amounts of financial assets following the adoption of IFRS 9 were as follows:

Financial asset class	"Audited IAS 39 Carrying amount at 31-Dec-17"	Unaudited reclassification adjustments	Unaudited remeasurement adjustments, including impairment	"Unaudited IFRS 9 Carrying amount at 1-Jan-18"
Trade and other receivables	36 522 202	-	(473 040)	36 049 162
Equities at fair value through profit or loss	12 738 977	-	-	12 738 977
Investments in bonds at amortised cost	830 100	-	-	830 100
Cash and short term deposits	7 801 682	-	-	7 801 682
	57 892 961	-	(473 040)	57 419 921

As previously indicated, the prior year financial statements were not restated. The adjustments were made against opening retained earnings as at 1 January 2018 as follows:

Closing retained earnings 31-Dec-17: IAS 39 (audited)	US\$ 3 647 721
Increase in impairment allowance on trade and other receivables	(637 091)
Deferred tax asset arising from increase in impairment allowance	164 051
Opening retained earnings 1-Jan-18: IFRS 9 (unaudited)	3 174 681

5.1.4 IFRS 9 Financial Instruments - Accounting policies applied from 1 January 2018

Financial assets

(i) Classification

From 1 January 2018, the Group classifies its financial assets in the following measurement categories:

- those measured at amortised cost, which for the Group includes trade and other receivables, bonds and deposits with banks.
- those measured at fair value through profit or loss, which for the group includes listed equities.
- those measured at fair value through other comprehensive income. Currently, the group does not hold assets in this category.

The classification depends on the Group's business model for managing the financial assets and the contractual terms of the cash flows. For assets measured at fair value, gains and losses will either be recorded in profit or loss or OCI. For investments in

equity instruments that are not held for trading, this will depend on whether the group has made an irrevocable election at the time of initial recognition to account for the equity investment at fair value through other comprehensive income (FVOCI). If not the instrument is measured at fair value through profit or loss.

The Group reclassifies debt investments between amortised cost and fair value categories when and only when its business model for managing those assets changes.

(ii) Measurement

At initial recognition, the Group measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss (FVPL), transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at FVPL are expensed in profit or loss.

Notes to the condensed consolidated interim financial statements (Cont'd)

For the half year ended 30 June 2018

5. CHANGES IN ACCOUNTING POLICIES (Cont'd)

5.1. Impact of adoption of IFRS 9, Financial Instruments (Cont'd)

5.1.4. IFRS 9 Financial Instruments - Accounting policies applied from 1 January 2018

Financial assets (Cont'd)

(ii) Measurement (Cont'd)

Subsequent measurement of debt instruments

Subsequent measurement of debt instruments depends on the group's business model for managing the asset and the cash flow characteristics of the asset. There are three measurement categories into which the Group classifies its debt instruments:

(a) Amortised cost - Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. Interest income from these financial assets is included in finance income using the effective interest method. Any gain or loss arising on derecognition is recognised directly in profit or loss and presented in investment income. Impairment losses are presented as a separate line item in the statement of profit or loss when material.

(b) Fair value through other comprehensive income (FVOCI): Assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' contractual cash flows represent solely payments of principal and interest, are measured at FVOCI. Movements in the carrying amount are taken through OCI, except for the recognition of impairment gains or losses and interest income which are recognised in profit or loss. When the financial asset is derecognised, the cumulative gain or loss previously recognised in OCI is reclassified from equity to profit or loss and recognised in fair value gains on financial assets. Interest income from these financial assets is included in finance income

using the effective interest method.

(c) Fair value through profit or loss (FVPL): Assets that do not meet the criteria for amortised cost or FVOCI are measured at FVPL. A gain or loss on a debt investment that is subsequently measured at FVPL is recognised in profit or loss and presented net within fair value gains on financial assets in the period in which it arises.

Subsequent measurement of equity instruments

All equity investments held by the Group are subsequently measured at fair value. Changes in the fair value of financial assets at FVPL are recognised in the statement of profit or loss in fair value gains and losses on equity investments.

When the Group elects to present fair value gains and losses on equity investments in OCI, there is no subsequent reclassification of fair value gains and losses to profit or loss following the derecognition of the investment. Dividends from such investments continue to be recognised in profit or loss as investment income when the Group's right to receive payment is established.

5.2. Impact of adoption of IFRS 15, Revenue from contracts with customers

The group has adopted IFRS 15 Revenue from Contracts with Customers from 1 January 2018. This resulted in changes to the Group's accounting policies for revenue recognition to reflect the terminology in IFRS 15. In accordance with the transitional provisions of IFRS 15, the Group applied IFRS 15 retrospectively without restatement of prior period financial information. The cumulative effect of adopting IFRS 15 was assessed as at 1 January 2018 and any adjustments that would have arisen would have been effected against the opening balance of retained earnings as at that date.

The adoption of IFRS 15 did not result in any changes to the timing or amount of revenue recognised by the Group. As such, no adjustments were identified as at 1 January 2018, the date of initial application of IFRS 15.

6. SEGMENT INFORMATION

Segmental performance for the half year ended 30 June 2018

	Insurance	Microlending	Other	Group
Total revenue	23 587 181	1 878 487	517 751	25 983 419
Inter-segment revenue	(78 830)	(31 956)	(109 414)	(220 200)
Total revenue from external customers	23 508 351	1 846 531	408 337	25 763 219
Total benefits, claims and other expenses	(21 016 273)	(524 970)	(523 525)	(22 064 768)
Profit before tax	2 492 078	1 321 561	(115 188)	3 698 451
Depreciation of property and equipment	298 678	11 062	38 465	348 205
Amortisation of intangible assets	2 300	20 333	3 457	26 090
Amortisation of deferred acquisition costs	14 750	-	-	14 750
Finance costs	1 205 713	31 956	-	1 237 669
Fair value losses on investment property and equities	1 207 923	15 158	1 809	1 224 890
Tax expense	1 069 488	352 224	14 271	1 435 983
Additions to non-current assets	318 560	15 015	4 641	338 216

Segment assets and liabilities as at 30 June 2018

Reportable segment non-current assets	50 217 090	433 750	882 322	51 533 162
Reportable segment current assets	44 959 133	6 601 614	23 611 654	75 172 401
Reportable segment liabilities	112 836 915	1 054 623	1 020 330	114 911 868

Segmental performance for the half year ended 30 June 2017

	Insurance	Microlending	Other	Group
Total revenue	11 516 926	1 491 230	309 937	13 318 093
Inter-segment revenue	(31 450)	-	(188 156)	(219 605)
Total revenue from external customers	11 485 476	1 491 230	121 781	13 098 487
Total benefits claims and other expenses	(9 808 702)	(608 272)	(273 608)	(10 690 582)
Profit before tax	1 676 774	882 958	(151 827)	2 407 905
Depreciation of property and equipment	471 339	2 434	55 353	529 126
Amortisation of intangible assets	20 378	20 331	3 459	44 168
Amortisation of deferred acquisition costs	28 650	-	-	28 650
Finance costs	707 304	49 570	-	756 874
Fair value (gains) / losses on investment property and equities	(1 638 247)	(13 331)	1 318	(1 650 260)
Tax expense / (credit)	192 047	218 165	17 851	428 063
Additions to non-current assets	147 831	59 591	3 108	210 530

Segment assets and liabilities as at 31 December 2017

Reportable segment non-current assets	44 144 597	450 128	922 021	45 516 746
Reportable segment current assets	44 423 112	6 145 655	23 584 156	74 152 923
Reportable segment liabilities	107 571 957	1 105 932	1 025 642	109 703 531

GEOGRAPHICAL INFORMATION

Segmental performance for the half year ended 30 June 2018

	Zimbabwe US\$	Malawi US\$	Total US\$
Revenue			
Total revenue	23 076 520	2 711 815	25 788 335
Inter-segment revenue	(25 116)	-	(25 116)
Total revenue from external customers	23 051 404	2 711 815	25 763 219
Group's revenue per statement of profit or loss and other comprehensive income	23 051 404	2 711 815	25 763 219
Depreciation of property and equipment	310 895	37 310	348 205
Amortisation of intangible assets	24 073	2 017	26 090
Amortisation of deferred acquisition costs	-	14 750	14 750
Finance costs	1 231 155	6 514	1 237 669
Fair value losses / (gains) on investment property and equities	1 365 613	(140 723)	1 224 890
Tax expense	1 358 857	77 126	1 435 983
Additions to non-current assets	91 862	246 354	338 216
Segment profit before tax	3 621 324	77 127	3 698 451



FIDELITY LIFE

ASSURANCE OF ZIMBABWE

Unaudited Financial Results

For the half year ended 30 June 2018

FIDELITY LIFE ASSURANCE OF ZIMBABWE LIMITED AND ITS SUBSIDIARIES

Notes to the condensed consolidated interim financial statements (Cont'd)

For the half year ended 30 June 2018

6. SEGMENT INFORMATION (Cont'd)

GEOGRAPHICAL INFORMATION

Segmental performance for the half year ended 30 June 2017

	Zimbabwe US\$	Malawi US\$	Total US\$
Revenue			
Total revenue	11 080 458	2 018 029	13 098 487
Inter-segment revenue	-	-	-
Total revenue from external customers	11 080 458	2 018 029	13 098 487
Group's revenue per statement of profit or loss and other comprehensive income	11 080 458	2 018 029	13 098 487
Depreciation of property and equipment	503 723	25 403	529 126
Amortisation of intangible assets	30 009	14 159	44 168
Amortisation of deferred acquisition costs	-	28 650	28 650
Finance costs	745 967	10 907	756 874
Fair value gains on investment property and equities	(1 582 355)	(67 905)	(1 650 260)
Tax expense	337 350	90 713	428 063
Additions to non-current assets	(426 768)	161 169	(265 599)
Segment profit before tax	2 241 669	166 236	2 407 905
Segment assets and liabilities as at 30 June 2018			
Reportable segment non current assets	48 905 020	2 628 142	51 533 162
Reportable segment current assets	69 126 696	6 045 705	75 172 401
Reportable segment liabilities	107 182 500	7 893 418	115 911 868
Segment assets and liabilities as at 31 December 2017			
Reportable segment non current assets	43 094 077	2 422 669	45 516 746
Reportable segment current assets	69 111 729	5 041 194	74 152 923
Reportable segment liabilities	103 020 598	6 682 933	109 703 531

7. CYCLICALITY OF OPERATIONS

Revenues from sale of stands do not follow a defined pattern as they are dependent on receipt of compliance certificates from the local authorities for the revenue to be recognised. The timing of receipt of compliance certificates varies, such that revenues may or may not be recognised within a six month period. As such, revenues from sale of stands were realised during the half year ended 30 June 2018, but none were recognised in the six months to 30 June 2017 as no compliance certificates were received during this period.

A significant part of the Group's revenue is also derived from life insurance premiums, and pension administration and fund management fees. Due to the nature of this income, there is no defined pattern of cyclicity or seasonality of operations and profitability.

8. BORROWINGS

8.1 NON-CURRENT BORROWINGS

	30-Jun-18 US\$	31-Dec-17 US\$
FBC Bank Limited	8 440 000	8 440 000
Infrastructure Development Bank of Zimbabwe	2 600 000	2 600 000
Standard Chartered Bank of Zimbabwe Limited	1 600 000	1 600 000
Agribank Limited	680 000	680 000
NMB Bank Limited	11 208 052	-
24 528 052	13 320 000	
Current portion of non-current borrowings	(5 742 039)	-
NON-CURRENT BORROWINGS	18 786 013	13 320 000

FBC Bank Limited, Infrastructure Development Bank of Zimbabwe, Standard Chartered Bank of Zimbabwe Limited, CBZ Bank Limited and Agribank Limited

The Group assumed CFI Holdings Limited's loans, issued by these banks amounting to US\$16 million, when it acquired Langford Estates (1962) (Private) Limited through a land-for-debt swap arrangement in 2015. The borrowings accrue interest at 10% per annum and have a tenor of 7 years ending 30 June 2022. The debt assumption came with a 2-year principal repayment grace period which ended 30 June 2018. The first principal repayment was due in July 2018 and was settled accordingly. The loans are secured through a mortgage bond over land inventory.

For the non-current borrowings, their fair values are not materially different to carrying amounts as the interest rate on these borrowings approximates market rates.

NMB Bank Limited facility

The loan with NMB Bank was acquired to enable settlement of the Athena Bonds that remained unsettled as at 31 December 2017. Repayment of the outstanding bonds had been deferred to 31 March 2018. These have since been settled. The NMB loan accrues interest at 10% per annum and has fixed monthly repayments to 31 January 2023. The facility is secured through first mortgage bonds over properties valued at \$15m and cession of residential stand sales receivables worth US\$12m.

8.2 CURRENT BORROWINGS

Redeemable bond	-	8213478
African Banking Corporation of Zimbabwe Limited	-	2 178 210
CBZ Bank Limited	-	535 472
Current portion of non current borrowings	5 742 039	-
5 742 039	10 927 160	

Notes to the condensed consolidated interim financial statements (Cont'd)

For the half year ended 30 June 2018

African Banking Corporation of Zimbabwe Limited (BancABC) facility

The bankers' acceptance with BancABC expired on 31 March 2018. The facility was settled during the current half year.

Redeemable bond

The bonds were redeemable at par on 30 June 2017 but were rolled over to 31 March 2018. The bonds were paid off during the current half year.

8.3. MOVEMENT IN BORROWINGS

Movements in borrowings during the half year were as follows:

Balance at 1 January
Net cash out flow on borrowings
Proceeds from borrowings
Repayment of borrowings

Balance at 30 June

Current borrowings
Non-current borrowings
Borrowings at 30 June

Half year to 30-Jun-18 US\$	Half year to 30-Jun-17 US\$
24 247 160	29 322 758
280 892	(3 235 188)
11 593 721	-
(11 312 829)	(3 235 188)
24 528 052	26 087 570
5 742 039	12 117 570
18 786 013	13 970 000
24 528 052	26 087 570

9. TRADE AND OTHER RECEIVABLES

Residential stand sales debtors
Micro-finance loans and advances
Insurance debtors
Other trade debtors
Trade receivables - gross
Less: provision for impairment of trade receivables
Trade receivables - net
Receivables from related parties
Loans to employees
Total financial assets other than cash and cash equivalents classified as loans and receivables

Prepayments
Other receivables
Total trade and other receivables

Less non current portion
Trade receivables
Current portion

The carrying value of trade and other receivables classified as loans and receivables approximates their fair value.

The total impairment allowance is made up of the following:

Impairment allowance on trade receivables
Impairment allowance on loans to employees
Impairment allowance on prepayments
Impairment allowance on related party receivables

Movements on allowance for credit losses are as follows:

Balance at the beginning of the period
Reversed/utilised during the period
Increase during the period
Increase on adoption of IFRS 9
Receivables written off against impairment allowances raised in prior year
Balance at the end of the period

30 Jun 2018 US\$	31 Dec 2017 US\$
38 866 688	30 331 672
6 304 265	5 282 952
2 848 555	2 937 516
306 178	203 972
48 325 686	38 756 112
(4 604 594)	(4 172 666)
43 721 092	34 583 446
2 193 192	624 330
140 719	270 869
46 055 003	35 478 645
404 987	159 216
803 013	884 341
47 263 003	36 522 202
(25 782 664)	(19 577 101)
21 480 339	16 945 101
4 604 594	4 172 666
82 491	3 807 266
-	3 835 085
-	133 922
4 687 085	11 948 939
11 948 939	6 066 205
(31 848)	(1 119 694)
11 716	7 002 428
637 091	-
(7 878 783)	-
4 687 085	11 948 939

10. FINANCIAL ASSETS AT FAIR VALUE

Listed equities are the only financial instruments held by the Group that are measured at fair value. These are shown as Equities at fair value through profit or loss in the statement of financial position. The fair values of the equities are determined as Level 1 fair values in the fair value hierarchy. Level 1 fair values are determined based on quoted prices in active markets, which values are taken unadjusted. The Group holds equities listed on the Zimbabwe and Malawi Stock Exchanges and these amounted to US\$11 191 739 as at 30 June 2018 (31 December 2017: US\$12 738 977).

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